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A Study On Awareness & Behaviour Of Individual Investors Towards Various Investment Avenues With Reference To Mehsana District

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Abstract:

Investment is systematic plan of investors to part their money at appropriate place to earn and safe the same for future contingencies. Investment is a purchase of a financial product or other items of value with an expectation of favourable future returns. The risk and returns available of each of these investment avenues differ from one avenue to another. There are, many investment avenues are available in the Indian market where some are marketable and liquid while others are non marketable and some of them are highly risky while others are almost risk less. The investors have to choose Proper Avenue depending upon his specific need, risk preference, and return expected.

Key Words: Investment, Investment Avenue, Individual Investor, Awareness and Behaviour.

1. Introduction:

Investment is systematic plan of investors to part their money at appropriate place to earn and safe the same for future contingencies. Investment is a purchase of a financial product or other items of value with an expectation of favourable future returns. The risk and returns available of each of these investment avenues differ from one avenue to another. There are, many investment avenues are available in the Indian market where some are marketable and liquid while others are non marketable and some of them are highly risky while others are almost risk less. The investors have to choose Proper Avenue depending upon his specific need, risk preference, and return expected.

The different Investment Avenues are:

1	**Safe / Low Risk Avenues :**	Saving Account, Bank Fixed Deposit, Public Provident Fund, Government Securities etc
2	**Moderate Risk Avenues :**	Mutual Funds, Life Insurance, Debentures, Bonds
3	**High Risk Avenues :**	Equity Share Market, Commodity Market, Forex Market.
4	**Traditional Risk Avenues :**	Real Estate, Gold / Silver, Cheat Fund.

The investors should focus on safe investment avenues. The people should develop the habit of making investment at any stage of life. Saving money is an old method so the people should invest their money in order to get maximum return. The investor should have full knowledge of the investment options in order to avoid any loss in future. The investors should be alert what, where, why, when and how to make investment in different investment option.

2. Literature Review:

The relevant literature is reviewed on the basis of Books, Periodicals, News Papers and Websites. The detailed review is given below:

Dhananjay Rakshit, (2008) in his article “Capital Market in India and Abroad – A Comparative Analysis”, published in Indian Journal of Accounting, December, 2008 concluded that Indian Market is being continuously preferred by the foreign investors and the only cause of concern is its high analyzed volatility.

Deepa Mangala and R.K.Mittal (2005) in their article, “Anomalous Price behaviour – An Evidence of Monthly effect in Indian Stock Market”, published in the Indian Journal of Commerce, April-June, 2005, concluded that the mean return for the first half of a trading month is significantly higher than the mean returns for the second half. The increased liquidity might induce the demand for equities resulting in the monthly effect.

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Ranganathan K. (2006) in his article “A Study of Fund Selection Behaviour of Individual Investors towards Mutual Funds: With Reference To Mumbai City” published in ICFAI Journal of Behavioral Finance, 2006, noted that financial markets are affected by the financial behavior of investors. She observed that consumer behaviour from the marketing world and financial economics had brought together a need to study an exciting area of ‘behavioral finance’. this study was an attempt to examine the related aspects of the fund selection behavior of individual investors towards mutual funds in the city of Mumbai.

Mittal M. and A. Dhade (2007) in their research paper “Gender Difference in Investment Risk-Taking: An Empirical Study” published in The ICFAI Journal of Behavioural Finance, 2007, Observed that risk-taking involves the selection of options that might result in negative outcomes. While present is certain, future is uncertain. Hence, all investment involves risk. Decourt (2007) indicated that the process of making investment decisions is based on the ‘behavioral economies’ theory which uses the fundamental aspects of the ‘Prospect Theory’ developed by Kahneman and Tversky (1979).

Saravana Kumar (2010) in his article “An Analysis of Investor Preference Towards Equity and Derivatives” published in The Indian journal of commerce, July-September 2010 concluded that the most of the investor are aware of high risk involved in the derivative market. To reduce the risk in the market, the investors should strictly follow the stop loss method.

Sarita aggrawal and Monika Rani (2011) in their article “Attitude Towards Insurance Cover” published in The IUP Journal of Risk & Insurance, January 2011 concluded that People are mostly aware about the life insurance and also the insurance companies. Private companies offer very attractive plans and policies to the public. After analysis it has been found that the LIC is still on the top, it means that LIC still rules the economy.

Agarwal S. P. (Dr) **(2001)** in his article “Public Provident Fund Account – A Matchless Investment Scheme.” Published in SOUTHERN ECONOMIST, Feb 15, 2001 concluded that Public Provident Fund (PPF) account is most beneficial investment for all categories i.e. salaried class, retired persons or businessmen either tax-payers or non-taxpayers.

Prabakaran and G. Jayabal (2009) in their article “Investors Risk Tolerance Towards Mutual Fund Investments” published in SOUTHERN ECONOMIST, June 15, 2009 concluded that empirically it has been proved that the mutual fund investors are form low and moderate risk tolerant groups and the socio-economic variables do alter the risk tolerance of individual investors. The mutual fund organisations must consider these socioeconomic variables of the investors that have an important influence on investment decision making.

Rajarajan V. (1999) in his article “Stage in Life Cycle and Investment Pattern” published in Finance India, 1999 studied Chennai investors financial investments and showed that life-cycle stage of individual investor was an important variable in determining the size of the investments in financial assets and the percentage of financial assets in risky category.

Alex Wang (2011) in his article “Younger Generations’ Investing Behaviours in Mutual Funds: *Does Gender Matter?” published in* The Journal of Wealth Management, Spring 2011 concluded that This study aims to understand younger generations’ investing behaviours in mutual funds in order to help wealth advisors understand how better to work with younger generations. His study reveals that knowledge, experience, and income are important factors that influence younger generations’ investing behaviours in mutual funds.

Kathryn M. McCarthy (2001) in her article “Engaging Investment Advisors for a Family Foundation” published in The Journal of Wealth Management, 2001 in this article; the author addresses the multi-faceted question of hiring investment talent for a foundation. She starts with a review of possible goals for an investment program and the kinds of assistance required meeting those goals.

Charlotte B. Beyer (2010) in his article “Investor Education: *What’s Broken and How to Fix It*” published in The Journal of Wealth Management, summer 2010 In this article, the author argues that the traditional approach to investor education has failed and that radical reform is needed. After observing how one group of investors learned far more in experiential settings, the author submits that these investors might be convincing proof that experiential investor education is superior.

Soumya saha and Munmun Day (2011) in their article “Analysis of Factors affecting investors perception of Mutual fund investment” published in The IUP journal of Management Research, April 2011 concluded that consumer behavior is an important area of research studies. Investors expectation is a very important factor in

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this regard that needs to be analysed by all alternative investment avenues. The success of any mutual fund a popular means of investment depends on how efficiently it has been able to meet the investor's expectation.

Sofia Jasmeen (2009) in her article "Investment choice of Individual Investors" published in The Indian journal of commerce, October-December 2009, A study revealed that though majority of investors have preferred low risk investments, considerable investors have gone for high risk investments. This could be because of the awareness created among Indian individual investors regarding investment avenues and investment climate. The financial institutions may capture this kind of investment climate and infuse confidence among investors by being ethical and transparent.

Research Gap:

With the help of the above review of literature the researcher conclude that the topic selected by him was appropriate because in the selected geographical area (Mehsana District of Gujarat) no major work has been done on the selected topic.

3. Objectives of the Study:

The objectives of the study are as follows,

- **Primary Objective:**

  To study the awareness & behaviour of individual investors towards various investment avenues available for investment for an individual investors with reference to Mehsana district of Gujarat Stat.

- **Secondary Objectives:**
  - **(i)** To identify the portfolio and investment pattern that has to be managed, monitored and controlled by the individual investors.
  - **(ii)** To identify a sense of general awareness about portfolio management.
  - **(iii)** To know the contemporary trends and issues in designing portfolio.
  - **(iv)** To study the impact of investors attitude on the profitability of investment portfolio.
  - **(v)** To identify the major types of investment avenues available in India and how one can invest in it.
  - **(vi)** To understand the problems faced by various income groups due to not proper diversification of funds.

4. Research Methodology:

The present study was descriptive research design in which a survey was conducted by the researcher with the help of structured questionnaire of 100 individual investors of Mehsana district. The method of sampling is convenience sampling and sample size is decided by personal judgement of the researcher. The conclusion was found by analysis of primary data collected and secondary data available by the literature review on various websites and printed journal, articles and books related to study.

5. Analysis of Data:

5.1 Demographic Analysis:

Table: 1

Demographic information of the respondents (Individual investors)

Demographic Factors		**No. of Respondents and Percent**
Gender	Male	77
	Female	23
	Total	100
Education	Schooling	03
	Graduate	42
	Post Graduate	44
	Professional Degree	11

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	Total	100
Occupation	Service	32
	Professional	25
	Businessman	24
	Farmer	12
	Retired	04
	Student	03
	Other	00
	Total	100
Annual Income Group	Less than Rs.1,00,000	19
	Rs.1,00,001 to Rs.2,00,000	24
	Rs.2,00,001 to Rs.3,00,000	12
	Rs.3,00,001 to Rs.4,00,000	09
	Rs.4,00,001 to Rs.5,00,000	25
	More than Rs.5,00,000	11
	Total	100

5.2 Descriptive Data Analysis:

1) Do you save a part of your Income Annually?

Table: 2

	Yes	No	Grand Total
No. of Respondents	90	10	100

2) How much do you save annually?

Table: 3

	Less than 50,000	**50,001 - 1,00,000**	**1,00,001 - 2,00,000**	**More than 2,00,000**
No. of Respondents	27	**47**	**15**	**1**

3) What are the objectives of your savings?

(More than one option can be tick out)

Table: 4

Options	**No of Votes**
To meet retirement requirement	41
To meet children education expenses	36

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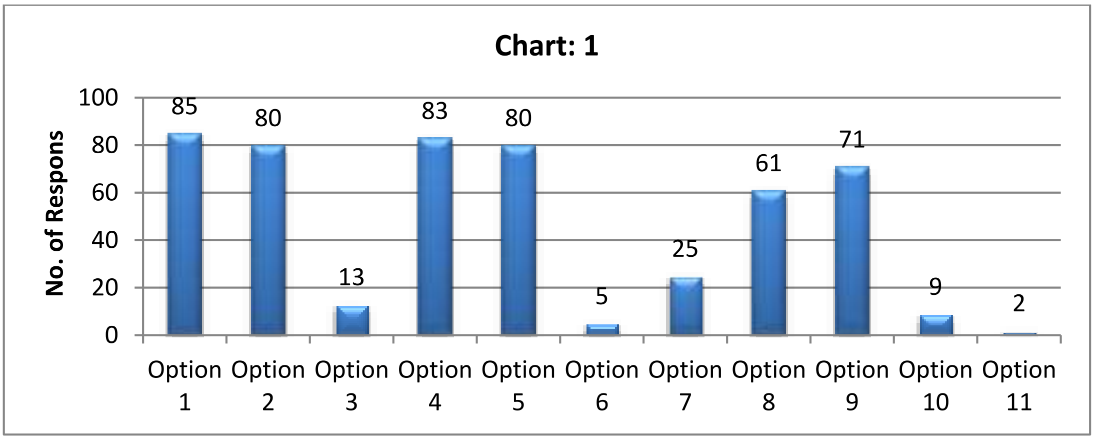
To meet future contingencies	85
To get tax reduction	67
To maximize your fund	23
To maximize your wealth	12

4) Please tick the Investment Avenues with which do you Aware?

(More than one option can be tick out)

Table: 5		
Options	**Investment Avenues**	**No. of Response**
Option 1	Saving Accounts	85
Option 2	Fixed Deposit	80
Option 3	Postal savings	13
Option 4	Insurance	83
Option 5	Mutual fund	80
Option 6	Pension fund	5
Option 7	Real Estate	25
Option 8	Share/debenture	61
Option 9	Gold/Silver	71
Option 10	P.P.F	9
Option 11	P.M.S.	2



5) How much return do you expect normally on your investment?

Table: 6	
Percentage of Return	**Number of Respondents**
8%-12%	28
12%-16%	49

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16%-20%	23
Grand Total	**100**

6) Rank your Investment preference? (Give the rank from 1 to 8)

Table: 7

No.	Investment	Rank1	Rank2	Rank3	Rank4	Rank5	Rank6	Rank7	Rank8
1	Shares	7	5	6	11	8	28	21	4
2	Debentures / Bonds	0	0	1	10	10	11	40	18
3	Insurance Policies	25	22	28	6	5	4	0	0
4	Mutual funds	23	24	23	11	7	2	0	0
5	Fixed Deposits	23	33	23	7	1	2	1	0
6	Real Estate	1	3	4	13	36	21	7	5
7	Gold /Silver	10	3	5	31	20	8	7	6
8	Others	1	0	0	1	3	14	14	57

Table: 8

Sr. No.	**Investments**	**Result**	**Rank**
1	Shares	344	6
2	Debentures / bonds	227	7
3	Insurance Policies	584	2
4	Mutual funds	579	3
5	Fixed Deposits	600	1
6	Real Estate	346	5
7	Gold /Silver	410	4
8	Others	152	8

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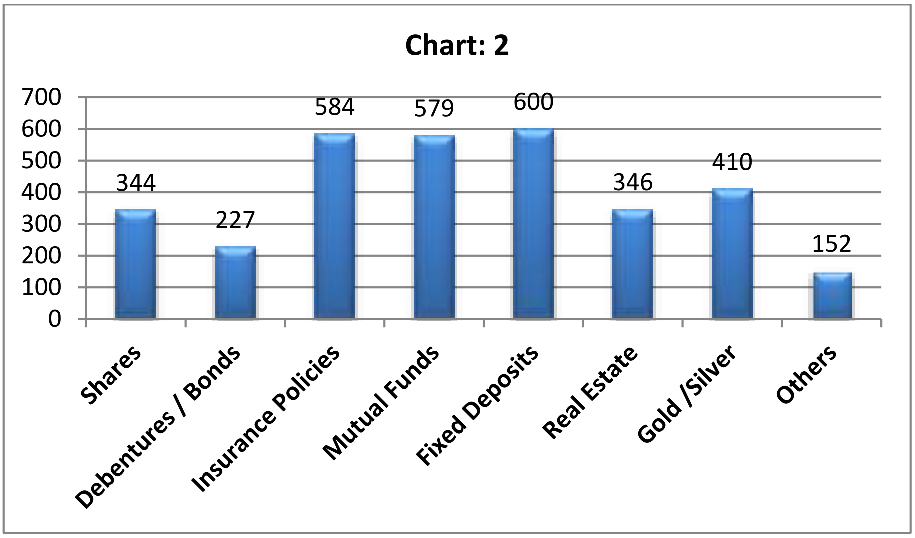
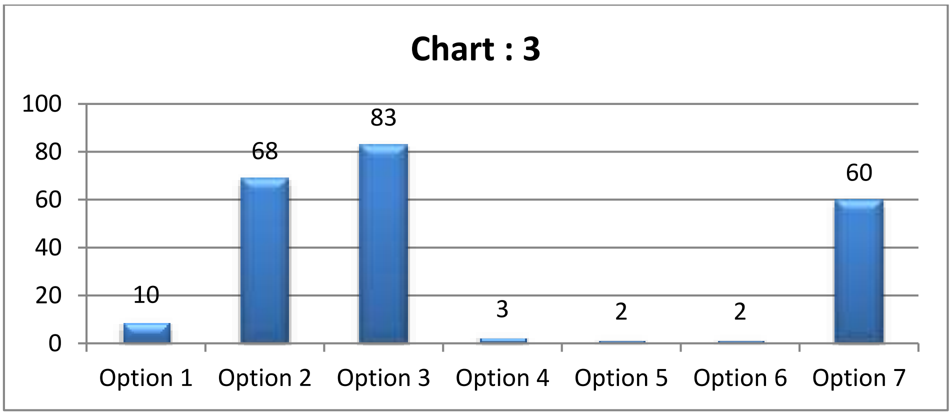


*https://www.youtube.com/watch?v=eza1XbeD2Hc

7) From which source you will get the information regarding various Investment Avenues available in the Market?

(More than one option can be tick out)

Table: 9		
Options	**Source of Information regarding Investment Avenues**	**Response**
Option 1	Investment related websites	10
Option 2	Newspaper journals & magazines	68
Option 3	TV Channels	83
Option 4	Technical analysis	3
Option 5	Company announcement	2
Option 6	Stock exchange announcement	2
Option 7	Others (Friends, Relatives etc)	60



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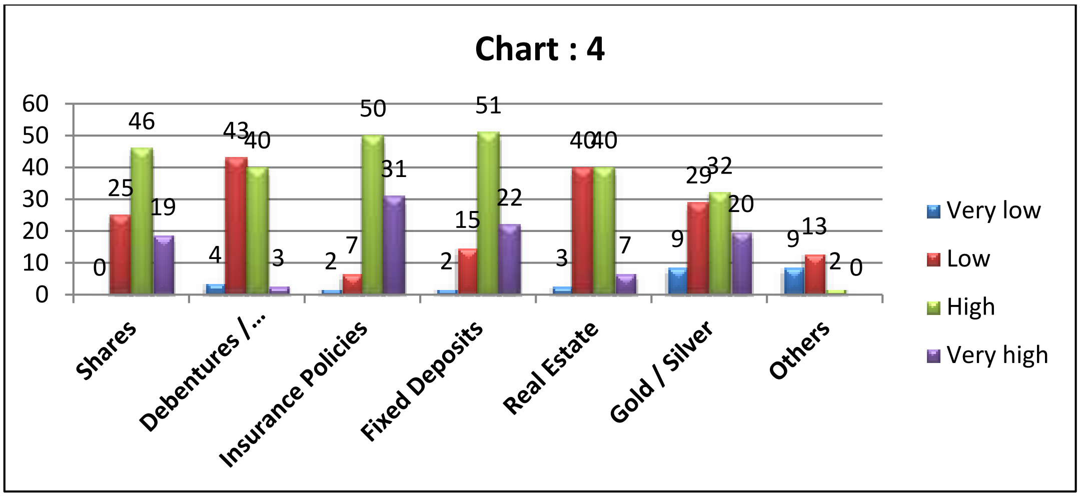
8) State the level of Return associated with the following Investment?

Table: 10

Status	Shares	Debentures / Bonds	Insurance Policies	Fixed Deposits	Real Estate	Gold / Silver	Others
Very low	0	4	2	2	3	9	9
Low	25	43	7	15	40	29	13
High	46	40	50	51	40	32	2
Very high	19	3	31	22	7	20	0
Total	90	90	90	90	90	90	24



9) State the level of Risk associated with the following Investment?

Table: 11

Row Labels	Shares	Debentures / Bonds	Insurance Policies	Fixed Deposits	Real Estate	Gold / Silver	Others
Very low	1	2	14	11	2	10	5
Low	22	28	47	48	20	27	9
High	49	48	10	18	59	40	8
Very high	18	6	20	14	7	13	0
Total	90	84	91	91	88	90	22

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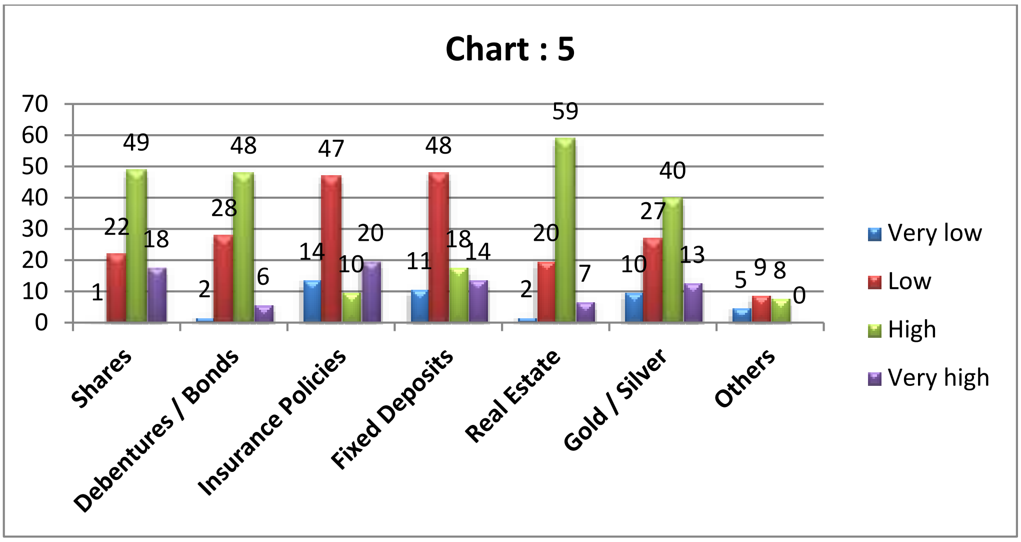
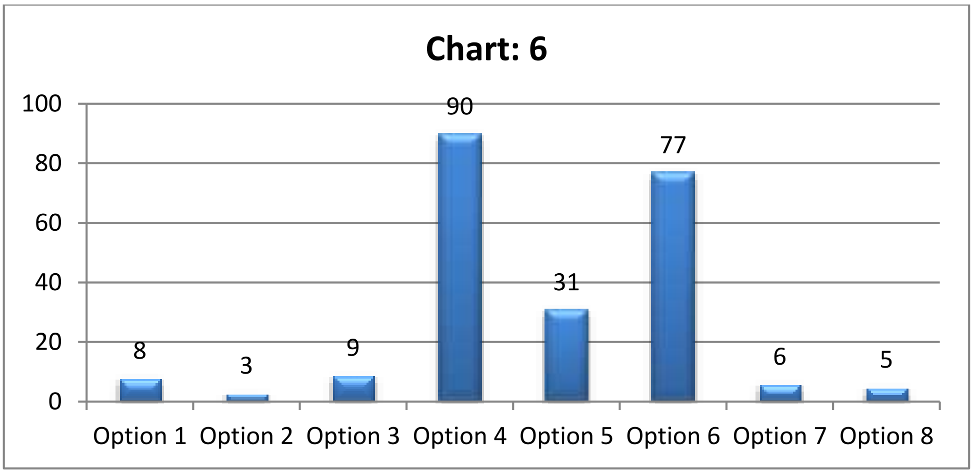


10) What is your Objective while selecting an Investment Avenue?

(More than one option can be tick out)

Table: 12		
Options	**Type of Investments**	**Result**
Option 1	Dividend	8
Option 2	Capital Gain	3
Option 3	Quick Gain	9
Option 4	Safety	90
Option 5	Liquidity	31
Option 6	Tax Benefits	77
Option 7	Diversification of Assets holding	6
Option 8	Bonus issues & stock splits	5



6. Findings:

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1. Investments are majorly dependent on an individual's saving. 90 per cent of the respondents are saving something from their income.
2. Among the 90 respondents, 47 respondents are saving upto 1,00,000, 27 respondents are saving less than 50,000, 15 respondents are saving between 1,00,000 to 2,00,000, and only 1 respondent is saving more than 2,00,000 from their income.
3. Majority of the respondents are investing their money in any source to meet future contingencies. Tax reduction is the next reason of the investment what we came to know from the respondents. Respondents are also saving the money to secure their retirement and to meet with the expenses of their children.
4. Respondents know about the various options available in the market for the investment. Their expectations for return from the investment are as follows. 45 per cent respondents have replied that they expect average 12% to 16% return. 23 per cent respondents expect 8% to 12% return and 22 per cent respondents expect 16% to 22% return.
5. Respondents are more interested to invest their in Fixed Deposits followed by Insurance Policies and Mutual Funds. This may describes as respondents are more focus on Security of the investment and continuous return instead of taking the risk and earning more return.
6. Majority of the respondents are come to know above various investments from TV Channels and NEWS Paper, Journals & Magazines. It is also observed that many of the respondents are informed about investments from their personal contacts i.e. Friends and relatives.
7. Discussing about the average Return from the investment, respondents replies that the Fixed Deposits and Insurance Policies are giving satisfactory average return followed by Shares, Debentures and Real Estate.
8. Real Estate has the higher Risk for the Investment followed by Shares and Debentures. Fixed Deposits and Insurance Policies are shown as the most Risk free Investment options.
9. Respondents are more focus on Safety and Tax Benefits now a day. Quick Liquidity is also an objective of respondents while investing their money.

Conclusion

India as a country holds great potential and the rise in income and savings levels signify the tremendous growth opportunity that lies ahead.

In the past few years, their growth is majorly driven by favourable economic and demographic factors, such as rising personal financial assets, entry of foreign asset management companies, favourable stock market, and aggressive marketing by mutual fund companies. Although after years of persistent growth, people are focusing on Fixed Deposits and Insurance policies.

The findings of the study indicate that in today's trend of fast life and usage of EMI facilities world, majority of the people is able to save the money from their annual income, and ultimately their savings are the fund for investments. Many options are available in the market for investments. Some of them are as follows. Shares, Debentures / Bonds, Insurance Policies, Fixed deposits, Real estate, Gold / Silver etc.

Risk has the direct relation with the Investment Return. Higher the risk will leads to higher the return and vise-versa. From the results of the study, it can be concluded that Respondents are more interested to invest in Fixed Deposits followed by Insurance Policies and Mutual Funds. This may describes as respondents are more focus on Security of the investment and continuous return instead of taking the risk and earning more return. Real Estate, Gold and Silver commodity, Shares, Debentures and Bonds are fall in second category where return are higher as compare to Fixed Deposits but the Risk is also high. Respondents are more focus on Safety and Tax Benefits now a day.

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